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INTRODUCTION

The Office of Internal Audit performed an audit of Alpena County FIA for the period October 1, 2000 through January 10, 2001. The objectives of our audit were to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. Alpena County FIA had 37 full time equated positions (FTE's) at the time of our review. Alpena County FIA provided assistance to an average 2,365 recipients per month during FY 1999, with total assistance payments of \$2,586,965 during that year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at the Alpena County FIA, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

Cash Receipts	Cash Disbursements
General Ledger	Modified Accrual Basis Balance Sheet
Safe and Controlled Documents	Food Stamp Inventory and Issuance
Medical Transportation	State Emergency Relief (SER)
Employment Support Services	Client Processing
CIS/ASSIST	IRS Information Security
Payroll and Timekeeping	Procurement Card

EXECUTIVE SUMMARY

Based on our audit, we conclude that the Alpena County FIA internal controls are generally adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. The verification of deposits, utilizing the check signing machine meter readings and the correct reconciliation of the check signing log will improve internal controls over receipting and disbursements

Recommendations #7 and 8 were implemented prior to completion of our onsite work.

LOCAL OFFICE RESPONSE

The management of Alpena County FIA has reviewed all findings and recommendations included in this report. They indicated at the exit conference on January 10, 2001 that they are in general agreement with the report.

Alpena County FIA subsequently provided documents to the Office of Internal Audit to show that recommendations #1-6 and #9 and 10 were implemented on January 12, 2001.

FINDINGS AND RECOMMENDATIONS

Cash Receipts

Verification of Deposits

1. Alpena County FIA did not follow established procedures for verifying that funds received through the mail were deposited. Fiscal staff that did not prepare receipts verified the receipts with the edit listing and deposited the funds. However staff independent of the receipting process did not verify the mail logs with the Official Cashier Receipts to determine that all of funds received through the mail were included in the deposits.

Accounting Manual Item 433, page 4, and Internal Control Criteria page 4 requires verification that all funds received by the Cashier are included in the deposit.

Verification of the mail log entries with the Official Cashier Receipts in addition to the verification process currently being performed improves internal controls over the cash receipting process.

WE RECOMMEND Alpena County FIA have staff independent of the receipting process reconcile the mail log entries with the Official Cashier Receipts to verify that all funds received by the Cashier are included in the deposit as required by Accounting Manual Item 433, page 4.

Warrants Returned/Received at the Local Office

2. Alpena County FIA did not have staff independent of the Fiscal unit review the disposition of warrants returned/received at the Local Office. Internal control over the disposition of returned/received warrants is improved by having staff independent of the Fiscal unit review the disposition to determine if the warrants processed as instructed by the Family Independence Specialists.

WE RECOMMEND Alpena County FIA have staff independent of the Fiscal unit review the disposition of warrants returned/received at the Local Office.

Cash Disbursements

Reconciliation of the Check Signing Log with the Check Register

3. Alpena County FIA did not reconcile the check-signing log with the check register in accordance with established procedures. The beginning and ending check numbers of the checks recorded in the Check Register (LR010) were not used in this reconciliation process.

Accounting Manual Item 410.1, page 2, requires the beginning and ending numbers of the checks reported in the check register be used to reconcile the number of checks recorded in the accounting records to the number of checks signed and recorded on the check signing log. In order for this control procedure to be effective, the check numbers must be obtained from the Check Register.

WE RECOMMEND Alpena County FIA use the beginning and ending check numbers of the checks reported in the Check Register (LR010) to reconcile the check signing log with the check register as required by Accounting Manual Item 410.1.

Meter Readings for the Check Signing Machine

4. Alpena County FIA did not establish adequate control over the check signing process. The check signing machine is used to sign checks however the machine meter readings are not used to control the number of checks signed.

Using the meter readings on the check signing machine will improve internal controls over the check signing and reconciliation process.

WE RECOMMEND Alpena County FIA use the check signing machine meter readings to control the number of checks that are signed.

General Ledger

No findings in this area.

Modified Accrual Basis Balance Sheet

No findings in this area.

Safe and Controlled Documents

Voucher Checks (FIA-1802) for the Local Office Automated Accounting System

5. Alpena County FIA has 760 Voucher Checks (FIA-1802) in inventory that were used with the Local Office Automated Accounting System (LOAAS). With the implementation of the Local Accounting System Replacement (LASR) these checks are obsolete.

Authority to destroy the LOAAS Voucher checks was received from Central Office in a memo dated August 1, 2000.

WE RECOMMEND Alpena County FIA destroy the Blank Voucher checks (FIA-1802).

Food Stamp Inventory and Issuance

Returned Food Stamps

6. Alpena County FIA did not have staff independent of the Fiscal unit review the disposition of food stamps returned to the Local Office as undeliverable. Internal control over the disposition of undeliverable food stamps can be improved by having staff independent of the Fiscal unit review the disposition to determine if the food stamps were disposed of as instructed by the workers.

WE RECOMMEND Alpena County FIA have staff independent of the Fiscal unit review the disposition of food stamps returned in the mail as undeliverable.

Medical Transportation

No findings in this area.

State Emergency Relief

No findings in this area.

Employment Support Services

No findings in this area.

Client Processing

No findings in this area.

CIS/ASSIST

Client Information System (CIS) Enrollment Profile/Security Agreements

7. Alpena County FIA did not have current and accurate CIS Security Agreements (FIA3974A) on file for employees who access the Client Information System. A CIS Enrollment Profile/Security Agreement (FIA3974A) could not be located for one staff. The status code on the FIA3974A for six staff did not agree with the status code listed on the Operator Identification Report (PF011).

CIS Security Policy L-Letter L-97-063 requires an FIA3974A to be prepared for all new users of CIS and for all current operators each time an enrollment change is proposed.

WE RECOMMEND Alpena County FIA obtain a FIA3974A for the staff that did not have a FIA3974A on file.

WE also RECOMMEND Alpena County FIA determine the correct status for the staff that had a status on the FIA3974A different than that reported on the PF011 and obtain new FIA3974As or change their status on CIS.

ASSIST Enrollment Profile (FIA3720)

8. Alpena County FIA did not have a current and accurate ASSIST Enrollment Profile (FIA3720) form on file for one employee enrolled on ASSIST.

CIS Security Policy L-Letter L-97-063 requires an FIA3720 to be prepared for all new users of ASSIST and for all current operators each time an enrollment change is proposed.

WE RECOMMEND Alpena County FIA obtain an ASSIST Enrollment Profile form (FIA3720) for the staff that does not have the form on file.

IRS Information Security

Control of Forms to Maintain Confidentiality

9. Alpena County FIA procedures for maintaining Internal Revenue Service (IRS) information did not provide for the proper safeguarding of the information.

Our review disclosed that entries on the Internal Revenue Service Data Control Sheet (FIA4488) did not state a disposition that relieved the Agency of IRS confidentiality provisions. Entries on the FIA4488 indicated forms on file that were not in the file, two entries stated that the forms were given to the worker or in the case record with no indication that they had been signed by the customer. Case record examination disclosed the letters were signed.

Two logs (FIA4488) and two Unearned Income Notices (FIA4487A) were on file that were over six months old that should have been destroyed. Also mailroom staff did not know who the Designated Staff Person (DSP) was for controlling confidential IRS information.

Program Administrative Manual (PAM) Item 803 details Family Independence Agency policy and procedures for controlling information received from the Internal Revenue Service.

WE RECOMMEND Alpena County FIA review its procedures in order to provide assurance that the procedures comply with requirements established in Program Administrative Manual Item 803.

Payroll and Timekeeping

Payroll Reconciliation

10. Alpena County FIA reconciles the PR-180 (Bi-Weekly Hours Entered Report) with the HR-332A (Time and Attendance Summary Report) rather than the FIA-4299 (Employee Time and Attendance Report). Internal Control over the payroll process is improved when the PR180 report is reconciled with the individual employee FIA-4299s.

WE RECOMMEND Alpena County FIA reconcile the PR-180 (Bi-Weekly Hours Entered Report) with the FIA-4299 (Individual Employee Time and Attendance Report).

Procurement Card

No findings in this area.